



### OVERVIEW OF NORTH CAROLINA'S ECONOMY MAY 2010 REPORT

#### SUMMARY OF NORTH CAROLINA'S ECONOMIC TRENDS

- NC's unemployment rate decreased; the number of employed workers and the labor force increased
- Nonfarm employment increased; 5 of 11 industry sectors increased in employment from last month
- Closings/layoffs decreased in April and were below the 4-month and 12-month averages
- Home sales and foreclosures increased while building permits decreased
- Announced capital investment in the first quarter exceeded \$500 million

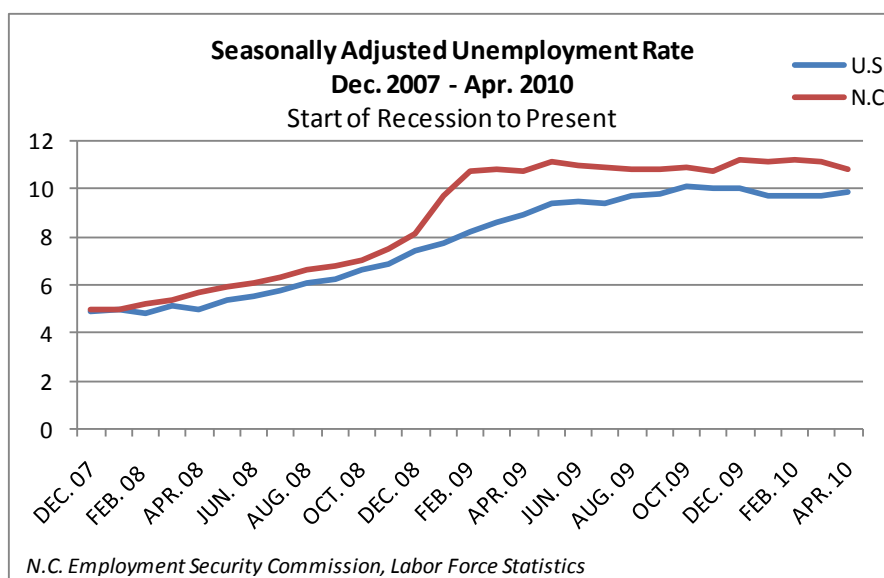
#### NC'S UNEMPLOYMENT RATE DECREASED TO 10.8%; THE NUMBER OF EMPLOYED WORKERS AND THE LABOR FORCE INCREASED

The number of employed workers grew by more than 22,700 between March and April, but employment is down by more than 8,500 when compared to last year and more than 248,000 when compared to the start of the recession (December 2007). The size of North Carolina's labor force increased by more than 6,000 from last month while the number of unemployed workers decreased by approximately 16,500. This represents the fifth time since the beginning of the recession that unemployment declined and the labor force grew in the same month.

North Carolina Seasonally Adjusted Labor Force Statistics								
	Mar-10 (revised)	Apr-10 (preliminary)	Previous Month (4/10 compared to 3/10)		Last Year - Same Month (4/10 compared to 4/09)		Start of Recession (4/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,564,936	4,571,156	6,220	0.1%	(8,481)	-0.2%	19,256	0.4%
Employed	4,056,953	4,079,689	22,736	0.6%	(8,582)	-0.1%	(248,709)	-5.7%
Unemployed	507,983	491,467	(16,516)	-3.3%	101	0.0%	267,965	119.9%

N.C. Employment Security Commission, Labor Force Statistics

North Carolina's seasonally adjusted unemployment rate in April was 10.8%, down from the previous month. The unemployment rate for the nation as a whole was 9.9%, up slightly from last month's rate of 9.7%. Over the past year, North Carolina's unemployment rate has remained relatively flat, falling somewhere between 10.7% and 11.2%. The state's unemployment rate is 0.1 percentage points higher when compared to the same month a year ago (April 2009), but 5.9 percentage points higher than at the start of the recession. The national

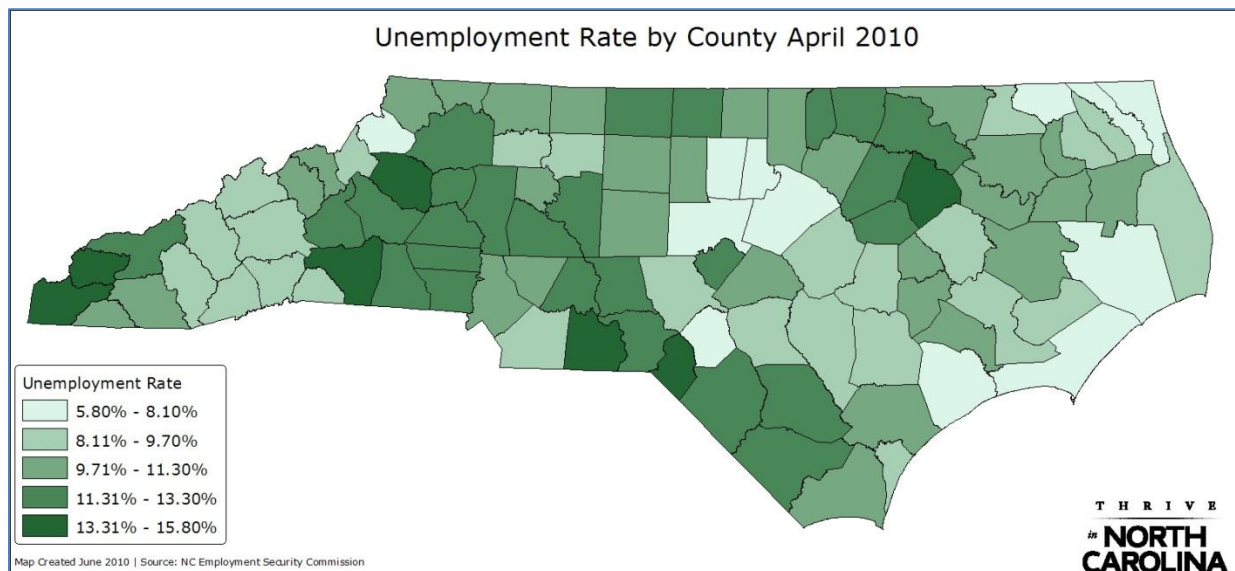


unemployment rate is 1.0 percentage points higher when compared to April 2009 and 4.9 percentage points higher than at the start of the recession.

Between March and April, ninety-nine of the one hundred North Carolina counties experienced a decrease in their non-seasonally adjusted unemployment rate. Wilson County (0.1%) was the only county that had an increase. From this point last year, sixty-four counties experienced a decrease in their unemployment rates, twenty-eight experienced an increase, and eight remained the same. Ninety-eight of the one hundred counties had monthly unemployment rates below their twelve month averages.

Scotland County had the highest unemployment rate in the state at 15.8%. Scotland was followed by Rutherford (15.2%) as the only two counties with rates exceeding 15%. Both Currituck and Orange County, which had unemployment rates of 5.8% and 5.9% respectively, were the only two counties with rates below 7.0%.

Additionally, the number of unemployed in urban counties has fallen by a cumulative rate of 1 or 2 percentage points (depending on how you define urban or developed counties) over the past year. Meanwhile, rural counties have witnessed even greater improvements, as their cumulative number of unemployed has fallen by 5 or 6 percentage points from this time last year.



A leading indicator of future unemployment rates is initial unemployment benefit claims. New initial claimants totaled 52,325 in April, a decrease of 16,509 from March. The top five occupations of those claiming unemployment for the first time are: 1) Laborers and Freight, Stock, and Material Movers (hand); 2) Truck Drivers, Heavy and Tractor-Trailer; 3) Cashiers; 4) Production Workers, All Other; and 5) Production Workers, Helpers. Eight of the top twenty occupations fall into two major occupational categories: Production and Transportation and Material Moving.

#### **NONFARM EMPLOYMENT INCREASED; 5 OF 11 INDUSTRY SECTORS INCREASED IN EMPLOYMENT FROM LAST MONTH**

Between March and April, preliminary data suggest North Carolina gained 7,500 nonfarm payroll jobs. The Professional & Business Services, Government, Education & Health Services, and Other Services sectors experienced growth of more than 1,000 jobs. Additionally, the Manufacturing sector experienced job growth for the third consecutive month - this sector accounts for 35% of all job losses since the start of the recession. Trade, Transportation, & Utilities, Leisure & Hospitality, and Construction all lost more than 1,500 jobs.

Compared to the same time last year, North Carolina has lost approximately 33,600 nonfarm payroll jobs, a 0.9% decline. Since the start of the recession in December 2007, North Carolina's total nonfarm employment has decreased by approximately 267,500 (6.4% of the nonfarm workforce). Sectors with the largest employment

decline since December 2007 include: Manufacturing (-101,200); Construction (-79,700); Trade, Transportation & Utilities (-68,700); and Professional & Business Services (-36,700). Two sectors have experienced gains, Education (17,500) & Health Services and Government (42,100).

North Carolina Nonfarm Employment Trends by Supersector								
Industry	Mar-10 (revised)	Apr-10 (preliminary)	Previous Month (3/10 compared to 2/10)		Last Year - Same Month (4/10 compared to 4/09)		Start of Recession (4/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Mining & Logging	6,300	6,200	(100)	-1.6%	200	3.3%	(700)	-10.1%
Construction	173,800	172,000	(1,800)	-1.0%	(25,600)	-13.0%	(79,700)	-31.7%
Manufacturing	430,500	431,200	700	0.2%	(26,100)	-5.7%	(101,200)	-19.0%
Trade, Transportation, & Utilities	714,500	711,400	(3,100)	-0.4%	(12,400)	-1.7%	(68,700)	-8.8%
Information	69,100	68,700	(400)	-0.6%	(1,900)	-2.7%	(3,500)	-4.8%
Financial Activities	198,200	197,900	(300)	-0.2%	(4,400)	-2.2%	(14,300)	-6.7%
Professional & Business Services	463,600	469,900	6,300	1.4%	5,700	1.2%	(36,700)	-7.2%
Education & Health Services	548,400	550,300	1,900	0.3%	9,500	1.8%	17,500	3.3%
Leisure & Hospitality	397,700	394,600	(3,100)	-0.8%	1,500	0.4%	(10,500)	-2.6%
Other Services	162,300	163,700	1,400	0.9%	(500)	-0.3%	(11,800)	-6.7%
Government	730,100	736,100	6,000	0.8%	20,400	2.9%	42,100	6.1%
Total Nonfarm Employment	3,894,500	3,902,000	7,500	0.2%	(33,600)	-0.9%	(267,500)	-6.4%

U.S. Bureau of Labor Statistics, Economy at a Glance Data, Nonfarm Wage and Salary Employment

#### CLOSINGS/LAYOFFS DECREASED IN APRIL AND WERE BELOW THE 4-MONTH AND 12-MONTH AVERAGES

The number of combined announced closings, layoffs and workers affected all decreased in April.<sup>1</sup> Both metrics were below the 4-month and 12-month moving averages.

Announced Business Closings and Layoffs in North Carolina				
	Mar-10 (revised)	Apr-10 (preliminary)	4 Month Average (Beg. of 1/10 - End of 4/10)	12 Month Average (Beg. of 4/09 - End of 3/10)
Announced Closings & Layoffs	83	39	84	96
Approximate # of Workers Affected	2,027	844	1,295	2,423

N.C. Employment Security Commission, Announced Business Closings and Permanent Layoffs Data

#### HOME SALES AND FORECLOSURES INCREASED WHILE BUILDING PERMITS DECREASED

Data from the North Carolina Association of Realtors suggests a 10% increase in foreclosures from last month and a 27% increase from last year. One in every 1,076 housing units in North Carolina received a foreclosure filing in April compared with one in every 386 nationally. Existing home sales increased from last month and last year by 19% and 33% respectively. New housing units authorized by building permits, an indicator of future construction, were down 11% from last month but are up nearly 6% from a year ago.

North Carolina Housing Market Statistics						
	Mar-10 (revised)	Apr-10 (preliminary)	Previous Month (4/10 compared to 3/10)		Last Year - Same Month (4/10 compared to 4/09)	
			Change	% Change	Change	% Change
Properties with Foreclosure Filings	3,553	3,902	349	9.8%	820	26.6%
Existing Homes - Units Sold	7,044	8,408	1,364	19.4%	2,106	33.4%
Housing Units Auth. by Bldg. Permit	3,680	3,284	(396)	-10.8%	188	6.1%

RealtyTrac; N.C. Association of Realtors, Existing Homes Sales Data; U.S. Census, Table 2-New Privately Owned Housing Units Authorized

#### ANNOUNCED CAPITAL INVESTMENT IN THE FIRST QUARTER EXCEEDED \$500 MILLION AND ANNOUNCED JOBS EXCEEDED 9,000

The Department of Commerce tracks announced and planned jobs and investment across the state on a quarterly basis. The first quarter of 2010 shows significantly more announced jobs than this period last year but

<sup>1</sup> These data are derived from a statewide survey of newspaper accounts of closings and layoffs and from information supplied to the Employment Security Commission of North Carolina by the employing units experiencing the closings/layoffs. These data are not all inclusive and do not meet the Labor Market Information Division standard for accuracy.

also significantly less investment. When compared to the previous quarter (fourth quarter 2009), there is significantly less planned investment.

Announced Jobs and Capital Investment in North Carolina			
	Previous Quarter 4th Qtr. 2009	Latest Quarter 1st Qtr. 2010	Previous Year 1st Qtr. 2009
Announced or Planned Jobs	9,311	9,071	2,215
Announced or Planned Investment	\$1,275,150,634	\$563,665,000	\$856,352,139

*The North Carolina Community Investment Report (CIR) Database*

Note: The values above represent announced or planned jobs and investment and are measured from when the jobs and/or investment were announced. Real values may prove to be higher or lower and may occur over multiple years.

#### **NATIONAL RECOVERY MOVING FORWARD WITH MORE CONSUMER SPENDING AND REAL GDP GROWTH; LINGERING WEAKNESS IN THE HOUSING MARKET AND IN EMPLOYMENT FIGURES**

**Labor Force:** While the economy continues to grow—albeit at a relatively deliberate pace—employment continues to lag. Even though employment had the largest month over month increase so far in 2010, a larger increase in the labor force lead to the national unemployment rate increasing to 9.9% from 9.7%, where it had remained for the first three months of the year. The continued increase in the labor force is a sign more “discouraged workers” are reentering the labor market. National figures for May indicate continued hiring, albeit in temporary public sector employment as a result of the census. Additionally, hours worked, the length of the average work week, and average hourly earnings all rose in May, signs that even if private businesses were not hiring at expected levels, they had more work for current employees. This change typically precedes expanded hiring<sup>2</sup>.

**Gross Domestic Product:** The broadest measure of the overall economy grew at an inflation-adjusted annual rate of 3.0% in the first quarter of 2010, marking the third consecutive quarter of growth (but lower than initial estimates of 3.2% and growth forecasts of 3.5%). The economy expanded 5.6% in the fourth quarter of 2009 and 2.2% in the third quarter.<sup>3</sup>

**Consumer Spending:** Accounts for more than 70% of economic activity in the United States. The recession has lead to a reduction in consumer spending amid concerns about job security and falling stock and home values. Recent consumer spending trends suggest Americans are spending again and may now be in a position to help drive the recovery. Spending on durable goods (such as cars) increased by 12.2% in the first quarter of 2010.

**Housing:** Pending home sales have risen for three consecutive months (February – April), reflecting the broad impact of the home buyer tax credit and favorable housing affordability conditions, according to the National Association of Realtors.<sup>4</sup> The Pending Home Sales Index is at the highest level since last October. Housing completions and housing starts are above levels from last month and April of last year. Building permits are higher than they were in April of last year but are below levels from last month.

**For detailed data tables, additional explanations of the latest trends, or if you would like to be added to the distribution list please contact:**

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<sup>2</sup> Petrino, T. (June 7, 2010). [If Market Depends on Jobs, Can Investors Depend on the Market?](#) LA Times

<sup>3</sup> Hauser, C. (May 27, 2010). [First-Quarter U.S. Growth Revised Slightly Lower](#). NY Times

<sup>4</sup> Molony, W. (June 2, 2010). [Pending Home Sales Surge Continuing](#). National Association of Realtors ®